Council 4 AFSCME Testimony – HB 5922 Feb. 10, 2009
Commerce Committee – CT General Assembly

My name is Brian Anderson. I am a legislative representative for Council 4 AFSCME, a union of 35,000 public and private employees.

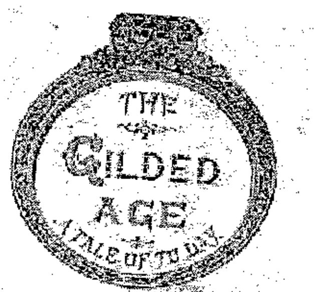
Council 4 strongly supports House Bill 5922, AAC Commitments of Responsible Corporations. U.S. Senator James Webb, a Vietnam War hero and Ronald Reagan's former secretary of the Navy recently said that "When I was in college, the average corporate CEO made 20 times what the average worker did; today it's nearly 400 times. Wages and salaries are at all time lows as a percentage of national wealth, even though the productivity of American workers is the highest in the world." He went on to say "the middle class of this country, our historic backbone and our best hope for a strong society in the future, is losing its place at the table." The decline of the middle class is one of the biggest problems that our state and country face. This bill tries to do something about that.

This bill simply states that a corporation would be ineligible for state grants or assistance if its CEO makes in excess of 25 times the wage of the corporation's lowest paid worker or cuts retiree pensions.

Until the middle of last year, we saw gigantic corporate profits in this country. But, we have experienced stagnant wages for most workers since 2001. Personal savings for the average family have dried up. Workers are paying more for health care. Personal debt has skyrocketed. Personal bankruptcies and home foreclosures are at an all time high. Now that our economic numbers are approaching those akin to the "Great Depression" it is important for state government to act to try and preserve a decent life for the average working family. It is time for state government to act to try and save the consumption based economy that our society is built upon. The premise of that economy is that every working family should have a shot at the American Dream: a house, nothing fancy; a chance to send a child to college; a pension for the age when a person is too old and worn out to work.

This bill fosters a stronger link between a CEO and his workers. It provides an incentive for CEOs to care about the fate of the families working for them. Sadly, this type of legislation is needed to buck the aforementioned trends. Of course no corporation is forced to apply for state assistance, so this is an extremely mild bill, though no doubt it will be portrayed as radical by those who act as spokespeople for corporate management that has run amok. This bill also seems to follow along the lines of what President Obama is thinking, considering his recent request that banking executives make no more than $500,000 per year in compensation if they take federal help – though this bill is probably not as stringent as that. I urge your support for this. Please feel free to ask me any questions.

Steve Fraser on Gilded Ages



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June 13, 2008

The BBC reported startling economic equality figures in a recent documentary: the top 200 wealthiest people in the world control more wealth than the bottom 4 billion. But what is more striking to many is a close look at the economic inequality in the homeland of the "American Dream." The United States is the most economically stratified society in the western world. As THE WALL STREET JOURNAL reported, a recent study found that the top .01% or 14,000 American families hold 22.2% of wealth -- the bottom 90%, or over 133 million families, just 4% of the nation's wealth.

Additional studies narrow the focus: This from the Pew Foundation and THE NEW YORK TIMES: "The chance that children of the poor or middle class will climb up the income ladder, has not changed significantly over the last three decades. "This from THE ECONOMIST'S special report, "Inequality in America:" "The fruits of productivity gains have been skewed towards the highest earners, and towards companies, whose profits have reached record levels as a share of GDP."

This trend, among others, has some historians and cultural commentators comparing our era to that of the late 19th century Gilded Age. Bill Moyers guest Steve Fraser notes its hallmarks: crony capitalism, extreme inequalities in wealth and income, ostentatious spending and wage depression. Mark Twain is responsible for naming the period between Reconstruction and Roosevelt, 'The Gilded Age.' As THE OXFORD COMPANION TO UNITED STATES HISTORY notes, it is the only period to be commonly known by a pejorative name. Find out more about the Gilded Ages of 19th and 21st centuries below:

Michael Brush

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Posted 6/22/2005

Company Focus

While pensions fall short, CEOs fly high

Ford, GM, United Airlines, Continental. They're just four of the companies struggling with falling profits and pension problems as their executives get huge payouts.

By Michael Brush

At companies across the country, workers are watching their pensions dwindle.

At **UALs** (UALAQ, news, msgs) United Airlines, workers stand to lose more than $3 billion in promised benefits as the airline passes its pension obligations on to the government.

Unfunded pension obligations at **Ford** (F, news, msgs) have risen to a whopping $12.3 billion, and **General Motors** (GM, news, msgs) is looking at shortfalls of $7.5 billion.

In the executive suites of these companies, however, there's no pain to be found. United Airlines chief executive Glenn Tilton collected $3.4 million in compensation in the year leading up to the airlines 2002 bankruptcy. He received another $4.5 million of his pre-bankruptcy pay package in 2003-2005.

Washington Post: Hovering Above Poverty, Grasping for Middle Class

By Michael A. Fletcher and Jon Cohen
Washington Post, 8/3/08

Low-wage workers in the United States are gripped by increasing financial insecurity as they inch along an economic tightrope made riskier by pervasive job losses and rising prices. Many struggle to pay for life's basics -- housing, food and health care -- and most report having virtually no financial cushion should they stumble.

Still, they remain inspired by the American dream, with most saying they are more apt to move up economically than slip backward even if they are frustrated now. Most also expect better for their children.

This complex picture of low-wage workers emerges from a survey conducted by The Washington Post, the Henry J. Kaiser Family Foundation and Harvard University. The nationwide poll, conducted June 18 to July 7, included 1,350 randomly selected people between ages 18 and 64 who work at least 30 hours a week and earned no more than $27,000 last year.

These low-wage workers account for nearly one-quarter of all U.S. adults. They care for the elderly in nursing homes or for the very young in day-care centers. They stock store shelves, do administrative work in offices, staff reception desks in hospitals and man assembly lines in factories. Not only do they receive low pay, but their jobs frequently come with no health-care coverage, vacations or even sick days. Yet, the vast majority said they like or even love their jobs and they believe in the power of hard work to transform lives.

The two major presidential candidates and members of Congress have largely turned their attention to middle-class Americans, whose anxiety is rising as the national economy falters on falling housing prices, tightening credit and rising inflation.

"A lot of issues that have long confronted low-wage workers are now increasingly facing middle-income workers," who more than ever face the prospect of jarring income declines, and the lack of health care and pensions to support them, said Beth Shulman, a scholar with the Russell Sage Foundation's Future of Work Project.

If those growing concerns translate into political action to bolster the social safety net, she said, it would disproportionately help low-wage workers. "I don't think we want to live in a country where people are working and doing what they are supposed to do but yet they can't get the basics," Shulman said.

For many low-wage workers, financial struggles persist and anxiety is high even when the economy is humming. Most of them occupy an uneasy and often overlooked place on the nation's economic spectrum, hovering above poverty but still grasping for the relative comfort of the middle class.

Over the coming weeks, the Washington Post will examine the lives of low-wage Americans. The stories will explore how they juggle their finances and bolster their spirits to cope with their economic struggles; how they adapt when the dream of a middle-class life fades; the factors that propel the optimism of others in the face of increasingly tall odds, and why, more often than not, they believe their fortunes are unaffected by the policies crafted by politicians in Washington.

Low-wage workers tend to be younger, less apt to be Republican and are less likely to be registered to vote, own homes or be married than the overall population. Most call themselves working class. About half live in households that earn no more than double the poverty-level income, which would be about $42,000 a year for a family of four.

They also are more likely to be female and Hispanic. They tend to have less education than the general population: Most have not gone beyond high school, and only 1 in 8 has graduated from college, less than half the national rate.

The New York Times
nytimes.com

September 18, 2008

OP-ED COLUMNIST

Need a Job? $17,000 an Hour. No Success Required.

By NICHOLAS D. KRISTOF

Are you capable of taking a perfectly good 158-year-old company and turning it into dust? If so, then you may not be earning up to your full potential.

You should be raking it in like Richard Fuld, the longtime chief of Lehman Brothers. He took home nearly half-a-billion dollars in total compensation between 1993 and 2007.

Last year, Mr. Fuld earned about $45 million, according to the calculations of Equilar, an executive pay research company. That amounts to roughly $17,000 an hour to obliterate a firm. If you're willing to drive a company into the ground for less, apply by calling Lehman Brothers at (212) 526-7000.

Oh, nevermind.

I'm delighted to announce that Mr. Fuld (who continues to lead Lehman since it entered bankruptcy proceedings this week) is the winner of my annual Michael Eisner Award for corporate rapacity and poor corporate governance. The award honors the pioneering achievements in this field of Mr. Eisner, the former Walt Disney chief.

This isn't a plaque that will simply gather dust in a closet. It's a shower curtain to commemorate the $6,000 one that the former C.E.O. of Tyco purchased and billed to his shareholders.

So, Mr. Fuld, you'll be pleased to know that I've picked out a lovely green vinyl number for you. Only $14.99! Why, I saved you $5,985!

Perhaps it seems frivolous to be handing out shower curtains to chief executives when we're caught in a deepening economic crisis. Well, it is.

But one of our broad national problems is rising inequality, and it is exacerbated by corporate executives helping themselves to shareholders' cash. Three decades ago, C.E.O.'s typically earned 30 to 40 times the income of ordinary workers. Last year, C.E.O.'s of large public companies averaged 344 times the average pay of workers.

John McCain seems to think that the problem is that C.E.O.'s are greedy. Well, of course, they are. We're all greedy. The real failure is one of corporate governance, which provides only the flimsiest oversight to curb the greed of executives like Mr. Fuld.

"Compare the massive destruction of wealth for shareholders to what he gets at the end of the day," said

Lucian Bebchuk, the director of the corporate governance program at Harvard Law School. A central flaw of governance is that boards of directors frequently are ornamental and provide negligible oversight.

As Warren Buffett has said, "in judging whether corporate America is serious about reforming itself, C.E.O. pay remains the acid test." It's a test that corporate America is failing.

These Brobdingnagian paychecks are partly the result of taxpayer subsidies. A study released a few weeks ago by the Institute for Policy Studies in Washington found five major elements in the tax code that encourage overpaying executives. These cost taxpayers more than $20 billion a year.

That's enough money to deworm every child in the world, cut maternal mortality around the globe by two-thirds and also provide iodized salt to prevent tens of millions of children from suffering mild retardation or worse. Alternatively, it could pay for health care for most uninsured children in America.

Do we truly believe that C.E.O.'s like Mr. Fuld are more deserving of tax dollars than sick children?

Perhaps it's understandable that C.E.O.'s are paid heroically when they succeed, but why pay prodigious sums when they fail? E. Stanley O'Neal, the former chief of Merrill Lynch, retired last year after driving the firm over a cliff, and he walked away with $161 million.

The problem isn't precisely paychecks that are huge. Baseball stars, investment bankers and hedge fund managers all earn obscene sums, but honestly — through arm's-length transactions. You and I may gasp, but that's the free market at work.

In contrast, boards pay C.E.O.'s after negotiations that are often more like pillow talk. Relationships are incestuous, and compensation consultants provide only a thin veneer of respectability by finding some "peer group" of companies so moribund that anybody shines in comparison. The result is what critics call the Lake Wobegon effect, which miraculously leaves all C.E.O.'s above average. Indeed, one study of 1,500 companies found that two-thirds claimed to be outperforming their peer groups.

John Kenneth Galbraith, the great economist, once explained: "The salary of the chief executive of a large corporation is not a market award for achievement. It is frequently in the nature of a warm personal gesture by the individual to himself."

There are widely discussed technical solutions to C.E.O.'s overpaying themselves that we should move toward. We can also learn from Britain and Australia, which offer shareholders more rights than in America, redrawing the balance between shareholders and management and curbing pay in the process.

As for Mr. Fuld, unfortunately, he had no comment for this column. At $17,000 an hour, it probably wasn't worth his time.

I invite you to visit my blog, www.nytimes.com/ontheground, and join me on Facebook at www.facebook.com/kristof.